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DEPT FOR EEB/TPP/ABT AND EAP/MTS
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SUBJECT: IMPORT SAFETY - MALAYSIA WELCOMES DIALOGUE WITH THE U.S.

REF: A) STATE 114788 B) 2005 KUALA LUMPUR 3640

11. Summary: Malaysia is interested in expanding contacts with the United States on import safety issues. Malaysian trade officials have been following recent USG efforts to address import safety, and they support increased dialogue with the U.S. to preserve and enhance Malaysia's strong trade links with the U.S. (see action request in paragraph 4). Malaysia's principal manufacturer's association seeks USG assistance in organizing a seminar in early 2008 to better inform Malaysian industry on U.S. import safety procedures. This seminar would complement a pending review of Malaysia's food safety system (stemming from a long-standing Malaysian government request) being arranged by Embassy's Foreign Agricultural Service office. End summary.

12. Econoff recently raised ref A demarche with Tay Lee Looi, Director, Office of Economic and Trade Relations in the Ministry of International Trade and Industry (MITI). Tay told econoff that MITI was interested in a closer dialogue with the U.S. on product safety, noting that she already was closely following the activity of the U.S. Interagency Working Group on Import Safety. With the U.S. as its number one export market, Malaysia is concerned about any policies that might have a negative impact on such trade. Tay noted that Malaysia also is concerned that its positive reputation in the U.S. as a source of imports not be tainted by the recent attention paid to the problem of Chinese imports to the U.S.

13. In addition to its concerns as an exporter to the U.S., Malaysia is likewise a large importer from China. China is Malaysia's fourth largest trading partner, with two-way trade in 2006 valued at around USD 28 billion. Tay told econoff that Malaysia would like to expand collaboration with the U.S. regarding best practices to protect consumers from defective products. Malaysia's vulnerability to defective Chinese imports was widely publicized in October when the Malaysian Association of Standards Users announced the results of a survey of Chinese-made toys purchased at a variety of Malaysian retailers. Using U.S.-made lead detection equipment, the association detected that 16 out of 24 toys tested above acceptable lead limits as set by the U.S.

14. Action Request: The Federation of Malaysian Manufacturers (FMM), Malaysia's largest manufacturers' association, is organizing a seminar on import safety issues in early 2008, and has asked Embassy for assistance in identifying appropriate U.S. experts, both from the government and the private sector, who may be interested in participating. The seminar's main objective would be to educate Malaysian companies on U.S. safety and quality requirements and procedures for imports. Embassy supports FMM's request as a means to expand our dialogue on these issues, and we have suggested that the event also include discussion of Malaysia's current practices. MITI's Tay told us her ministry would also support the event. Embassy requests Washington's assistance, both regarding suggested

speakers as well as suggested topics to include in the event.

15. A seminar on the safety of non-food imports would complement current Embassy efforts to improve U.S.-Malaysia cooperation on the safety of food imports. Malaysia faces similar issues as the U.S. regarding the safety of food imports from China. In September the Ministry of Health's Food Safety and Quality Division (FSQD) announced that it had placed 14 Chinese exporters on a watch-list after their food shipments had been found to be tainted with high levels of preservatives, pesticides and heavy metals.

16. At the request of the FSQD (see ref B), Embassy's Foreign Agricultural Service Office is arranging a review of FSQD that initially would involve a visit by USDA consultants to assess Malaysia's current food safety system. The subsequent USDA analysis would form the basis for strategies to improve Malaysia's system, which would be implemented in a follow-up visit by U.S. food safety experts. Embassy FAS office anticipates the review taking place in FY 2008 pending the availability of funding.

17. Key objectives of the proposed FSQD review are to 1) increase Malaysia's understanding of the WTO rules on sanitary and phyto-sanitary (SPS) measures, and reduce the number of such measures on U.S. exports to Malaysia; 2) encourage Malaysia's adoption of internationally consistent food safety and plant and animal health measures set by CODEX, IPPC and OIE; 3) increase Malaysia's understanding of U.S. inspection systems and its willingness to accept products inspected under those systems; 4) develop a written analysis of Malaysia's current food safety policies, procedures and regulations with recommendations to bring them into compliance with international norms; and 5) expand U.S. exports to Malaysia.

Keith